

MINUTES OF SPECIAL SESSION  
OF THE CITY COUNCIL OF HUNTSVILLE, ALABAMA,  
HELD TUESDAY, JUNE 16, 2015

The Honorable Council of the City of Huntsville, Alabama, met in Special Session on Tuesday, June 16, 2015, at 2 p.m., in the Council Chambers of the Municipal Building, there being present:

|                       |                 |
|-----------------------|-----------------|
| President:            | Russell         |
| Councilpersons:       | Robinson, Kling |
| Absent:               | Culver, Showers |
| City Administrator:   | Hamilton        |
| City Attorney:        | Joffrion        |
| City Clerk-Treasurer: | Hagood          |

President Russell called the Special Session of the Council to order, stating that he had called the meeting to consider an ordinance to authorize the issuance of General Obligation Warrants, Series 2015-A; and other business to come before the Council.

President Russell read and introduced an ordinance authorizing the issuance of General Obligation Warrants, Series 2015-A, as follows:

(ORDINANCE NO. 15-441)

President Russell moved that unanimous consent be given for the immediate consideration of and action on said ordinance, which motion was duly seconded by Councilman Kling, and upon said motion being put to vote, the following vote

resulted:

AYES: Robinson, Kling, Russell

NAYS: None

ABSENT: Culver, Showers

President Russell stated that the motion for unanimous consent for immediate consideration of and action on said ordinance had been unanimously carried by the Council members present.

President Russell thereupon moved that said ordinance be finally adopted, which motion was duly seconded by Councilman Kling.

President Russell recognized Mr. Randy Taylor, Director of Finance.

Mr. Taylor stated that what the Council had before it was the ordinance they had just placed on the table. He stated that it was \$61,390,000 of face value for 2015-A Warrants.

Mr. Taylor stated that because they had just done the pricing and the sale of the warrants on this date, the ordinance was not available on line. He continued that they did have copies of the ordinance that each of the Council members had available for the public.

Mr. Taylor stated that the warrants were to finance a variety of Capital projects which had been in the City's Budget and Capital Plans since the current year was started in October 2014.

Mr. Taylor stated that he had a document for each of the

Council members, noting that it was important to review what these projects were. He stated that they had two Capital Plans, one that was financed by sales tax revenue, which Plan had been around since 1990, and the 2014 Plan, which was financed with the new one-cent sales tax which was enacted approximately a year prior.

Mr. Taylor stated that they had approximately \$34 million worth of projects in the old Plan that were being financed by this debt issuance, and there was approximately \$36 million for projects that were being financed in the new Plan. He continued that the Council members could see a list of those projects.

Mr. Taylor stated that there was a resolution the Council had adopted in April 2015 to declare what the intentions were with regard to this debt issue. He stated that they had been working on it for the entire Fiscal Year, but most recently beginning in April. He stated that they were actually shifting the money around, and that that was what this resolution was about. He stated that this was the focus of the project spending for this bond issue.

Mr. Taylor stated that it was a \$61 million face value issue, that that was how much the City was actually borrowing, but that because the interest rates on that issue, for each of the maturities, were higher than market rates, the City would actually receive a premium for that of approximately \$9.3 million. He stated that, in total, the City would receive

approximately \$70 million from the issuer. He stated that it was very typical for the City to issue premium warrants in the pricing that was associated with market rates at this time.

Mr. Taylor stated that representatives from the City's financial advisor, Phil Dotts and Josh McCoy, were present at the meeting, and they would be glad to explain more information concerning this if the Council so desired.

Mr. Taylor stated that they had conducted a competitive sale on this day, and that bids had been received at 10 a.m. He continued that they had had seven bidders on this issue. He stated that it was the lowest total interest cost, true interest cost, bid that they accepted and awarded.

Mr. Taylor stated that Bank of America Merrill Lynch was the lowest of the seven bidders, and that they had offered an overall true interest cost of 3.27 percent, which he noted was the average interest rate, one might say, over the period of this 20-year issue.

Mr. Taylor stated that the debt service that would result from borrowing this money was within the Capital Plans, so that what they realized on this date in terms of the bid from Bank of America Merrill Lynch was consistent with what they were expecting when they did the budgets for both of the Capital Plans back in October of 2014.

Mr. Taylor stated that they had actually been working on all these projects, on the financing, going back almost a year, to the prior summer, when Mayor Battle had been working on the

Capital Plans with John Hamilton and Shane Davis, and that this was the culmination of all that work.

Mr. Taylor stated that that concluded the comments he had concerning the issue. He stated that he would be glad to answer any questions or to defer to the representatives.

President Russell stated that his question might be for Mr. Dotts. He asked why they were doing a competitive sale at this time. He stated that he understood they had gotten the best rate they could get on this date, but asked if compared to what they had done in the past, a competitive sale was a better way to go or if the way they normally did it was better.

Mr. Taylor stated that it was a mixture of both. He continued that he would ask Mr. Dotts to make comments about that, as well. He stated that they had attempted to do this as a negotiated sale back in April, that they had actually priced their warrants in the market. He continued that as he had mentioned at the prior Council meeting, they did not believe the prices that were offered to them on that particular day, and at one other similar attempt a few weeks later, were the kinds of prices they should expect, and that it certainly was not what they had seen in the past, and that they did not think it represented the City of Huntsville and its AAA rating.

Mr. Taylor stated that they did know that the credit spreads on the issuance that was before the Council at this time were approximately half of what was proposed to them two months prior, by this bidder. He stated that the "spread" was

the premium above the average index rate for deals that were done on the prior day that they would be compared to.

Mr. Taylor stated that it was 15 basis points, 15 hundredths of a percent, above that Benchmark rate. He continued that two months prior, it was approximately 30 basis points above that rate. He stated that they had tightened the spread against the index, which they believed was reflective of where they had traded in the past and what Huntsville ought to be traded for.

Mr. Taylor stated that they did know, as President Russell had pointed out, that the rate they had received on this date was the absolute lowest rate. He continued that how it compared to rates on deals in the past was not a valid comparison because interest rates were moving up and down all the time. He stated that interest rates were higher than they had been two months prior, so that there was an inherent rise in the interest rates in the market overall.

Mr. Taylor stated that they had been able to secure this award more competitively than what they felt like they had had available to them back in April. He stated that any day they borrowed money, negotiated or competitive, rates could go up or down the next day. He continued that all they could do was to make the absolute best decision they could as far as the timing, as to when they should do it. He stated that they knew that in a competitive sale, they had been successful, and that was why they had decided to do it in this manner on this issue.

President Russell stated that he would like for Mr. Dotts to address this, as well.

Mr. Phil Dotts appeared before the Council, stating that, as usual, Mr. Taylor had done an excellent job in explaining what the entire process had been and what some of the rationale had been. Mr. Dotts stated that, traditionally, the City had issued debt on a negotiated basis, but that several years prior, they had elected to go forward with a competitive sale. He stated that they felt it was important, as a firm, to recommend to clients that if they were traditionally a negotiated seller, it would make sense to occasionally do a competitive sale, to kind of recalibrate the market. He continued that if a client was traditionally a competitive seller, then it would make sense to sometimes do a negotiated rate, just to reward some of the firms that supported them.

Mr. Dotts stated that in this particular case, as Mr. Taylor had said, they were more concerned about the credit spreads that were reflected in the proposals back in April, and that they had elected to back off the competitive route. He continued that he believed the results of the sale on this date bore out that decision.

Mr. Dotts stated that they thought it was particularly important for the next sale, the next time they had a negotiated sale. He continued that these comparables would be out there, and they would be able to use them in negotiating with the underwriters.

President Russell thanked Mr. Dotts for his comments.

President Russell asked if there were any questions for Mr. Taylor or for Mr. Dotts.

Councilwoman Robinson stated that, as she understood it, interest rates had increased in general, but because they had gone to this competitive bid on this date, they were still able to get a lower rate. She asked if this was correct.

Mr. Taylor stated that interest rates had risen over the prior two months, that in general interest rates for every municipal borrower were higher, because of the increase in the overall market. He stated that their rates were higher than they would have been, that what they were awarding on this date was a higher fundamental interest rate, but that they had been able to price more competitively against the index associated with the overall market. He stated that their rate would be higher because they had been at a significantly lower point at that particular season. He stated that there would be no way to predict at any time they would borrow what it would do 60 days later.

Mr. Taylor stated that they had wanted to make sure that they priced competitively. He stated that they might have thought rates were as low as they were going to be for a long time. He stated that as good as that estimate might have been, they still wanted the overall rate they paid and the spread against those index rates to reflect the City's AAA credit rating.



President Russell recognized Councilman Kling.

Councilman Kling asked, concerning the projects that were listed on the document, if they were blocking themselves in to project and dollar value or if this was just more or less a guideline, a plan, of what they intended to do. He asked if there was flexibility in it, as the Mayor and Council saw fit.

Mr. Taylor stated that the Council made the decisions on the budget. He stated that the Council had previously adopted in both the Capital Plans, by way of resolution, and in the budget, by way of ordinance, these projects, that these were the ones that were being funded.

Mr. Taylor stated that, for example, the Natatorium was already under way, with respect to the design, not construction. He stated that ultimately whether or not they would do the projects that were listed or they would allocate the funds to another project would be a decision of the Council.

Councilman Kling asked if it was correct that they were not violating anything that would impact the City's bond rating or anything that would be perceived as inconclusive with the bond issue.

Mr. Taylor stated that they did reserve the right to move the money from one project to another; however, they had borrowed this money for these projects, so they were going to spend the money on Capital Projects that qualified for this kind of spending.

Councilman Kling stated that he was thinking about things such as cost overruns or a priority change, an emergency coming up at the Civic Center, or something such as that.

Mr. Taylor stated that these were budget estimates, that they had to respond to needs for all the things for which they were responsible. He continued that they did make reallocations from time to time.

President Russell asked if there was any further discussion of the above ordinance.

There was no response.

President Russell called for the vote on Ordinance No. 15-441, and it was unanimously adopted by the Council members present.

President Russell stated that the ordinance had passed.

President Russell asked if there was any other business to come before the Council.

There was no response.

Upon motion, duly seconded, it was voted to adjourn.

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PRESIDENT OF THE CITY COUNCIL

ATTEST:

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CITY CLERK-TREASURER